



Buy the Next McDonald's? 3 Prospects

Description

Investors are like fisherman; they all have a story about the big one that got away.

Consider **McDonald's** ([NYSE:MCD](#)), which grew from a small California burger joint into a global fast food superpower. If you'd invested \$1,000 in McDonald's initial public offering in 1965, your position would be worth \$2.5 million today.

Today, of course, McDonald's is a mature business. In the hunt for the next multibagger – stocks that can deliver 100%...1,000%...even 10,000% gain... you want to look for the next McDonald's. These are smaller companies with similar business traits, great management teams, and a long growth runways. Here are three Canadian stocks that have just that:

Canada's next super-brand

Dollarama ([TSX:DOL](#)) has been one of Canada's great business success stories. Over the past 22 years, the company has grown from a single store in Quebec into a retail behemoth with 800 stores across Canada. Over the past ten years the company has grown sales at a 15% compounded annual clip.

Yet despite the company's success, the dollar store concept is still a long way from saturating the Canadian market. In Canada, there's only one store for every 29,000 people among the top five chains. By comparison in the United States there's one dollar store for every 14,000 people. The company could double its store count if it wants to.

Dollarama also has ways to extract more sales out of existing locations. Last year, the company introduced new price points with items up to \$3.00. Merchandise priced above \$1 now makes up more than half of revenues. Investors should expect higher ticket items to provide a big boost to margins in upcoming quarters.

Valeant Pharmaceuticals

The trait of a great CEO is that he or she is driven in some big or cool way. I call the thing a CEO

wants to make happen his BHAG – Big Hairy Audacious Goal. CEO's who have a BHAG use it to fire themselves up so much that they can't wait to come into work every day to make it happen. They are the foundations of great companies like John Mackey at **Whole Foods** or Steve Jobs at **Apple**.

Is **Valeant Pharmaceuticals** (TSX:VRX)(NYSE:VRX) has grown quickly over the past several years through acquisitions. Buying small drug makers and pushing new products through the company's large distribution network has proven enormously profitable. Though CEO Michael Pearson has his eyes on something bigger.

At the beginning of this year executives predicted that the firm would join the world's top five pharmaceutical companies by market capitalization by the end of 2016. To crack the top five, Valeant will need a market capitalization \$150 billion – nearly three times today's level. If management can pull it off, shareholders will be nicely rewarded.

Is this stock the next 7-Eleven?

Alimentation Couche Tard (TSX:ATD.A) (TSX:ATD.B) Chief Executive Alain Bouchard is nothing short of a business legend. Starting with a single dépanneur in Saint-Jérôme in 1980, Mr. Bouchard has built a retail empire with 12,600 stores spanning 21 countries.

Now Bouchard is passing on the touch to former Chief Operating Officer Brian Hannasch to lead phase two of the company's expansion. Bouchard's goal: ramp up the firm's international expansion and double the firm's store count again by 2023.

But the company still has a lot of expansion room. The firm is just beginning to export the convenience store concept to Europe. The acquisitions of **Statoil's** Fuel and Retail division last year was a good start. The purchase has given the company a broad European footprint with 2,300 locations spread across Norway, Sweden, Denmark, the Baltics, Poland, and Russia. In addition the company has less than 3,500 locations in Asia; a massive, fast growing markets with significant growth potential.

Foolish bottom line

The recipe for identifying tomorrow's great companies is simple: a winning business model, great leadership, and ample growth potential. It's these types of stock's that have laid the foundation for all stock market fortunes. And while you may be a few decades late to buy McDonald's, there are plenty of emerging companies that promise to accomplish the same thing today.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BHC (Bausch Health Companies Inc.)
2. TSX:BHC (Bausch Health Companies Inc.)
3. TSX:DOL (Dollarama Inc.)

Category

1. Investing

Date

2025/07/06

Date Created

2014/03/20

Author

rbailieul

default watermark

default watermark